GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1474
ANSWERED ON:04.08.2006
CEILING ON BORROWING FOR KERALA
Veerendra Kumar Shri M.P.

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government has imposed ceiling on the borrowing of the Kerala State;

(b) if so, the reason for such a ceiling while State needs Rs. 7246 crore to finance the Planning Commission approved annual plan of Rs. 6210 crores; and

(c) the steps taken/proposed to be taken to help the State from financial crunch ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) Yes, Sir.

(b) Borrowing Ceiling of the State has been fixed for the State taking into account the fiscal deficit for the years 2004-05 and 2005-06 and the estimated fiscal deficit (Rs. 4380 crore) for 2006-07, as given in the fiscal correction path drawn up by the State itself, for containing the fiscal deficit to 3% by 2008-09. Debt sustainability of the State is also kept in view while fixing the ceiling for borrowing by the State.

(c) Any relaxation in the borrowing ceiling would mean that the State Government would have to forego the incentive of Debt Waiver during the remaining TFC award period. Moreover, the scheme of financing for the annual plan size of Rs. 6210 crore shows that the State has committed to raise Rs. 2950 crore under Small Savings. Borrowing Ceiling of the State can be revised if the State feels that it can bear the cost of foregoing Debt Waiver and could raise the entire amount of Rs. 2950 crore under Small Savings.